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AMEMBASSY PANAMA

C O N F I D E N T I A L STATE 247655

FOLLOWING REPEAT CARACAS 10726 ACTION SECSTATE INFO PANAMA AND EC BRU

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SELS 14 OCT 75

QUOTE

C O N F I D E N T I A L CARACAS 10726

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E.O. 11652: GDS

TAGS: EGEN, PFOR, VE

SUBJECT: VENEZUELAN ATTITUDES TOWARDS ESTABLISHMENT OF SELA

BEGIN SUMMARY. GOV OFFICIALS LOOK FORWARD TO THE ESTABLISHMENT OF SELA THIS WEEK AS A MEANS OF SOLIDIFYING LATIN AMERICA'S NEGOTIATING POSITION IN INTERNATIONAL ECONOMIC FORUMS AND RATION-ALIZING

THE USE OF THE CONTINENT'S RESOURCES, BUT, THEY INSIST, NOT AS AN INSTRUMENT OF CONFRONTATION WITH THE US. THEY STRESS THAT SELA WOULD BE STRICTLY ECONOMIC IN CHARACTER--MORE THAN ANYTHING ELSE TO AVOID FRICTIONS AMONGST ITS OWN MEMBERS. THEY BELIEVE THAT CARACAS HAS THE INSIDE TRACK AS THE SITE OF SELA HEADQUARTERS.

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FROM THE VENEZUELAN VIEWPOINT, THE IMMINENT ESTABLISHMENT OF

SELA IS A MOST FAVORABLE DEVELOPMENT. END SUMMARY.

1. IN SEPARATE MEETINGS WITH EMBOFFS, TWO MEMBERS OF THE VENEZUELAN DELEGATION TO THE RECENT PANAMA PREPARATORY MEETING ON SELA, ONE FROM THE MINISTRY OF FINANCE, THE OTHER FROM THE FOREIGN MINISTRY, REPORTED ON PROSPECTS FOR SELA. IN ADDITION, FINANCE MINISTER HURTADO COMMENTED PUBLICLY ABOUT SELA ON OCTOBER 13, ON THE EVE OF HIS DEPARTURE FOR THE PANAMA MINISTERIAL MEETING ON SELA. THIS MESSAGE SUMMARIZES OBSERVATIONS OF THESE GOV OFFICIALS.

1. PANAMA PREPARATORY MEETING - THE GOV DELEGATION WAS CLEARLY PLEASED OVER THE RECENT PANAMA EXPERTS MEETING, WHICH WAS ATTENDED MOSTLY BY SENIOR-LEVEL ECONOMIC EXPERTS. THEY SAID THE ATMOSPHERE WAS MORE POSITIVE AND FREER OF SUSPICION THAN AT THE PREVIOUS EXPERTS MEETING AND MORE SUCCESSFUL IN SETTLING PROCEDURAL ISSUES AND DRAFTING ARTICLES FOR THE FORMATION OF SELA. BRAZILIAN PARTICIPANTS WERE MUCH MORE COOPERATIVE, AND EVEN THE URUGUAYANS WERE MORE RELAXED. CONTINUING HESITATION ABOUT SELA CAME PRINCIPALLY FROM SPOKESMEN FOR OTHER LATIN AMERICAN ORGANIZATIONS SUCH AS THE ANDEAN PACT, CECLA, AND ESPECIALLY LAFTA, WHO WERE CONCERNED OVER DUPLICATION OF EFFORT (AND PRESUMABLY THE VERY EXISTENCE OF THESE BODIES).

3. THE PROPONENTS OF SELA AT THE PANAMA EXPERTS MEETING TOOK ACCOUNT OF THE VARIOUS CONCERNS OVER SELA BY EMPHASIZING ITS "STRICTLY" ECONOMIC CHARACTER, BY FOCUSING ON SPECIFIC PROJECTS, BY AGREEING TO DECISION BY CONSENSUS, AND BY CONCEDED THAT SELA WOULD NOT REPLACE EXISTING ORGANIZATIONS. BECAUSE THE OAS IS A "POLITICAL" BODY, IT WAS NEVER MENTIONED IN THE SESSIONS. THE VENEZUELAN DELEGATION WAS KEENLY AWARE OF THE DANGERS OF INTRODUCING ANY POLITICAL ISSUES WHATSOEVER INTO THE DISCUSSIONS, PRINCIPALLY BECAUSE OF THE SHARP POLITICAL DIFFERENCES AMONG LATIN AMERICAN COUNTRIES AND THE CONCERN OF SOME COUNTRIES OVER THE APPEARANCE OF CONFRONTATION WITH THE US. ONE OF THESE GOV OFFICIALS REPEATEDLY EMPHASIZED TO AN EMBOFF THE MODESTY OF VENEZUELAN GOALS FOR SELA. "NOT EVEN IN TEN YEARS," HE SAID, WILL IT BE POSSIBLE FOR SELA TO ADDRESS POLITICAL ISSUES. HE SAW SELA AS FAR LESS AMBITIOUS THAN THE EC AND STRUCTURALLY INCAPABLE OF ACHIEVING ANYTHING LIKE THE DEGREE OF ECONOMIC AND POLITICAL

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INTEGRATION WHICH HAD EVOLVED AMONG EC COUNTRIES.

4. NEXT STEPS - ON OCTOBER 15 IN PANAMA MINISTERS ARE EXPECTED TO APPROVE THE DRAFT ARTICLES OF ORGANIZATION, PENDING SUBSEQUENT RATIFICATION BY THEIR RESPECTIVE GOVERNMENTS. MINISTERS OF FINANCE AND/OR ECONOMIC AFFAIRS WILL BE THE DIRECTORS OF SELA; VENEZUELA'S CHIEF REPRESENTATIVE WILL BE FINANCE MINISTER HECTOR HURTADO. CURRENT PLANNING IS THAT A SELA MINISTERIAL MEETING

WOULD TAKE PLACE AT LEAST ONCE A YEAR AND THAT A SUB-MINISTERIAL COMMISSION WOULD CONDUCT SELA'S BUSINESS BETWEEN TIMES.

5. WORK PROGRAM - ALTHOUGH FORMAL SUBSTANTIVE PLANS FOR SELA WILL BE DRAWN UP ONLY AFTER THE ORGANIZATION IS ESTABLISHED, THE EXPERTS AT THE RECENT PREPARATORY MEETING DID DISCUSS VARIOUS POSSIBILITIES. THERE APPEARED TO BE GENERAL AGREEMENT THAT THE MEMBERS WOULD ATTEMPT TO COORDINATE THEIR POSITIONS IN ORDER TO PRESENT A UNIFIED FRONT IN INTERNATIONAL ECONOMIC FORUMS, PARTICULARLY WITH RESPECT TO RAW MATERIAL PRICES, ALTHOUGH THE EXPERTS HAD NOT YET WORKED OUT PROCEDURES FOR THE SELECTION OF A SPOKESMAN FOR THE GROUP AT THESE INTERNATIONAL GATHERINGS.

1. THERE WAS A BROAD CONSENSUS AT THE EXPERTS MEETING THAT SELA SHOULD CONCENTRATE ON CONCRETE PROJECTS, IN WHICH INDIVIDUAL STATES WOULD BE FREE TO PARTICIPATE OR NOT PARTICIPATE. THEY WOULD MAKE A FINAL CONTRIBUTION PROPORTIONATE TO THEIR PARTICIPATION. THE SELA ORGANIZATION ITSELF WOULD HAVE A SMALL STAFF WHOSE PRINCIPAL PURPOSE WOULD BE TO SERVE AS A CATALYST TO BRING TOGETHER THE MEMBER GOVERNMENTS ON VARIOUS UNDERTAKINGS.

7. AMONG THE PROJECTS DISCUSSED WERE THE ESTABLISHMENT OF A TECHNOLOGICAL DATA CENTER, A LARGE FERTILIZER PRODUCING COMPLEX, CONTINENTAL TRANSPORTATION AND COMMUNICATIONS SYSTEMS, LATIN AMERICAN MULTINATIONAL ENTERPRISES, PROMOTION OF TOURISM, AND DISASTER RELIEF. SELA'S ROLE WOULD BE TO FACILITATE PLANNING AND THE RATIONAL USE OF RESOURCES ON A LATIN AMERICA-WIDE BASIS FOR REALIZING SUCH PROJECTS. DIRECT PARTICIPATION BY THE US IS NOT YET NOT ENVISIONED IN THESE PLANS, SINCE THEY WOULD BE CARRIED OUT BY THE SELA MEMBER GOVERNMENTS THEMSELVES.

8. SITE OF SELA - VENEZUELA HAS OFFERED CARACAS AS THE SITE OF SELA HEADQUARTERS AND APPEARS TO HAVE THE INSIDE TRACK, ESPECIALLY

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SINCE MEXICO, THE CO-SPONSOR OF SELA, IS NOT OPPOSING CARACAS AND VENEZUELA ENJOYS THE BACKING OF SEVERAL OTHER LATIN AMERICAN COUNTRIES. ECUADOR HAS OFFERED QUITO AND THERE HAS BEEN SOME CONSIDERATION GIVEN TO ONE OF THE CENTRAL AMERICAN COUNTRIES SUCH AS PANAMA. BACKERS OF CARACAS ARGUE THAT VENEZUELA HAS THE ADVANTAGES OF A STABLE DEMOCRATIC GOVERNMENT, A CONVENIENT GEOGRAPHIC LOCATION, GOOD COMMUNICATIONS, AND EXCELLENT CONFERENCE FACILITIES AND IS BECOMING A FINANCIAL CENTER. ACCORDING TO THE VENEZUELAN FINANCE MINISTRY, SELA WILL BEGIN ITS ADMINISTRATIVE ACTIVITIES WITH A BUDGET OF APPROXIMATELY \$400,000.

9. IN A STATEMENT TO THE PRESS ON OCTOBER 13 PRIOR TO HIS DEPARTURE FOR PANAMA, FINANCE MINISTER HURTADO STRESSED THAT SELA WILL NOT BE AN INTERNATIONAL ORGANIZATION WHOSE DECISIONS WILL BE BINDING UPON ITS MEMBERS. HE CITED AS SELA'S MOST

IMPORTANT TASKS THE CREATIONS OF LATIN AMERICAN ENTERPRISES, THE DEFENSE OF THE PRICES OF RAW MATERIALS, AND THE STRENGTHENING OF TECHNOLOGICAL AND SCIENTIFIC COOPERATION AMONG SELA MEMBERS.

10. COMMENT. THE OBVIOUS PLEASURE OF THE VENEZUELAN PARTICIPANTS OVER THE RESULTS OF THE LAST PANAMA PREPARATORY MEETING AND THE CURRENT MINISTERIAL MEETING IS UNDERSTANDABLE. THE ESTABLISHMENT OF SELA IS SEEN AS ADDING TO VENEZUELA'S PRESTIGE AND EXTENDING ITS INFLUENCE AMONG THE LATIN LDC'S BEYOND JUST THE ANDEAN PACT AND CARIBBEAN AREAS. THE GOV PROBABLY ALSO BELIEVES THAT AN ORGANIZATION LIKE SELA IS NECESSARY IF LATIN AMERICA IS EVER TO ACHIEVE A SIGNIFICANT DEGREE OF ECONOMIC INTEGRATION.

11. THROUGHOUT THEIR DISCUSSIONS WITH EMBOFFS ON SELA, GOV OFFICIALS WERE OBVIOUSLY TRYING TO ASSUAGE APPREHENSIONS THAT SELA WOULD BE DIRECTED AGAINST THE US. AT THE SAME TIME, THEY DID NOT CONCEAL THEIR VIEW THAT THE OAS IS INEFFECTIVE AS AN ORGANIZATION TO HELP THE LATIN AMERICAN NATIONS RESOLVE THEIR ECONOMIC DEVELOPMENT PROBLEMS. WHILE THE GOV OBVIOUSLY HAS AN INTEREST IN TRYING TO ASSURE THE US THAT SELA WILL NOT HAVE AN ANTI-US BIAS, THE IMPLICATIONS OF SELA FOR US INTERESTS REMAIN TO BE SEEN.

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